



## Market and Trade Data

### Eating Out Is In for Tourists and Locals in Israel

#### By Gilad Shachar

An expanding tourism industry and domestic consumers who enjoy dining out are good news for U.S. exporters, who sold \$376 million worth of food and agricultural products to Israel in calendar 2006.

The tourism industry is expected to fuel demand for the HRI (hotel, restaurant, and institutional) sector. Last year, foreign tourists in Israel spent \$1.9 billion on food and lodging, benefiting hospitality outlets that ranged from luxury hotels to bed and breakfast accommodations.

Though tourist visits are expanding long-term, last year visits decreased about 4.5 percent due to the July-August 2006 Lebanon War. However, despite the decreased visits, overnight stays increased 1 percent, up to 19.3 million; foreign tourists accounted for 6.8 million and Israelis for the remaining 12.5 million stays.

By 2009, industry experts expect that the number of tourists annually will exceed 4 million. In 2006, 1.8 million tourists visited Israel, of which 54 and 24 percent were from Europe and the United States, respectively.

In 2006, Israeli consumers and tourists spent more than \$3.4 billion on food away from home, with an average 838,000 visiting restaurants every day. Israel's food service sector is divided into commercial (restaurant and hotel) and institutional categories. Israel also has an unusual restaurant venue — celebration halls, which serve around 20 million meals per year at a cost of \$800. Institutional sales estimates came in between \$740 and \$820 million, with the remaining sales in commercial outlets.

#### HRI Characteristics

Over the past few years, consumer buying habits have changed. Israelis are dining out more and choosing premium foods at their restaurants, coffee shops, cafeterias, kiosks, pubs, and bars. Demand for imported food products picks up during Jewish holidays — Rosh Hashanah (New Year) in September, Succot (Feast of Tabernacles) in October,

Chanukah (Festival of Lights) in December, and Passover in April.

Restaurant meals of high-quality beef and seafood account for 30 percent of the country's total consumption of those products. Consumption of soft drinks, mineral water, and wine and beer is also on the rise. Mediterranean, Italian, Thai, and Japanese restaurants are favorite destinations, with Middle Eastern shawarma, falafel, and hummus served in hundreds of small shops.

Pizza outlet sales are estimated at \$94 million per year, with the biggest chains — Pizza Domino, Sbarro, Domino's, Pizza Hut, and Pizza Meter— making up half of the sales. The most popular burger outlets include McDonald's, Burger-Ranch, and Burger King.

Eight companies control half of the institutional sector, out of a total 450 - 500 companies. More than 1 million institutional meals are served each day. The Israeli Defense Forces are the largest consumers of the government entities, which purchase 25-30 percent of the total meals; the remainder is served at civilian workplaces.

#### What Countries Compete With the United States?

In 2006, Israel imported \$2.79 billion worth of food and agricultural products, 12 percent more than the year before, while exporting \$686 million, making the country a net food importer.

The EU (European Union) is the chief foreign food and agricultural supplier to

### e-Sources

#### Trade Shows Key to Marketing Food and Agricultural Products

HRI shows offer good venues for meeting contacts. The FAS Office of Agricultural Affairs in Tel Aviv, Israel, recommends participating in the ISRAFOOD and HOTEX trade shows.

**ISRAFOOD**, an international food and beverage exhibition held annually in Tel Aviv for HRI businesses, provides an excellent opportunity to present products to key food importers, distributors, retailers, wholesalers, and processors. Information on ISRAFOOD is available at:

<http://www.stier.co.il/english/fairs/israfood/info.htm>

**HOTEX** presents food display and restaurant equipment. For information on HOTEX, go to:

[http://www.stier.co.il/english/fair\\_hotex.htm](http://www.stier.co.il/english/fair_hotex.htm)

Israel, with \$1.19 billion in exports in 2006, or 42.6 percent of Israel's imports — almost triple that of the United States. Far Eastern countries, principally Thailand and China, contributed \$186 million in Israeli imports. Other important suppliers include Turkey at \$63 million, and Brazil, Argentina, and Colombia with a total \$210 million.

Domestic and EU suppliers provide the main competition for U.S. exports. The U.S. industry's main advantage lies in standardized regulations for products, food safety, reliability in supply, and quality. At the same time, U.S. foods do not always have a fine cuisine reputation, with local consumers believing Israeli-made products are of higher quality. Also, shipping costs, import duties, and import licensing requirements erect barriers to the market. On the other hand, some U.S. products benefit from tariff-rate quotas, preferential customs tariffs, and current favorable exchange rates.

While Western EU products are becoming less competitive due to the exchange rate between the euro and dollar, growing competition for U.S. exporters is coming from Eastern Europe, Turkey, the former Soviet Union, South America, and the Far East.

To best compete, U.S. exporters need competitive pricing and high-quality products and attention to Israeli health and labeling regulations. Nearby EU countries supply sophisticated foods and beverages to the Israeli market, and operate with relatively low transportation costs.

### To Be Kosher

Israeli law requires that the Rabbinical Council of the Chief Rabbinate or a body authorized by the council certify all meat and poultry imports as being kosher. With the exception of meats and poultry, certification is not a legal requirement for importing foods into Israel. However, non-kosher products have a much smaller market, as the large supermarket chains, hotels, restaurants, and institutional food services refuse to carry them.

The Chief Rabbinate recognizes the kosher certification issued by many U.S. rabbis, but Israeli importers send Israeli rabbis to any country to verify food preparation processes.

#### Road Map for Entry

Israel's Food Control Service and Ministry of Health enforce food regulations in Israeli ports. Because Israeli food standards and labeling requirements are similar to EU standards, it is recommended that prospective exporters consult with importers to assure that standards are met.

Over 300 food importers sell directly to food manufacturers and distributors. Only large chains have central purchasing offices. As most of the HRI sector is widely dispersed, operators of small bars, cafeterias, and restaurants tend to purchase products and ingredients in the local open market or the wholesale market, and buy beverages and perishables bought through distributors.

After identifying a market opportunity, the exporter should consult with an importer experienced in the HRI sector. Visits are recommended to establish a good business relationship. The importer can ease customs clearance and advise the exporter on complying with product-specific regulations, such as labeling, packaging, duties, and sanitary regulations.

Large hotels and restaurants usually have their own importing divisions. Though the large supermarkets may import directly, most acquire imports through an importer that is also a distributor. All other HRI outlets depend on importers.

The importers usually want to develop a brand name, and will ask for exclusivity in representing a product for a few years.

Importers also believe that promotion is essential for increased sales and will ask the exporter for a partial investment in a promotional campaign.

**Best Prospects for HRI Exports**

These products are proven bestsellers with continued good sales expected:

- Organic and health food products
- Ice cream and sorbets
- Olive oil and canola oil
- Dairy products and eggs
- Natural honey
- Almonds and walnuts
- Processed fruits and vegetables, including frozen vegetables
- Prepared cereals, baking mixes, and pastas
- Snack foods
- Wines ■

*Gilad Shachar is an agricultural assistant with the FAS Office of Agricultural Affairs in Tel Aviv, Israel. E-mail: [agtelaviv@usda.gov](mailto:agtelaviv@usda.gov)*

**FAS Worldwide** is an online magazine from USDA's Foreign Agricultural Service. Text of this magazine is in the public domain and may be reprinted freely. Photographs may not be reprinted without permission.

Use of commercial and trade names does not imply approval or constitute endorsement by USDA or by FAS.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.